



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

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## ***Memorandum***

TO: Advisory Council

DATE: October 3, 2008

FR: Therese Knudsen

RE: Staff Liaison Report

### **State Budget**

On September 23 Governor Schwarzenegger signed the latest budget in the state's history. While Proposition 42 was not suspended, public transit funds were diverted at record levels. Given the huge cutbacks in many state programs, the full funding of Proposition 42 can be credited to Proposition 1A, passed in November 2006 which requires any suspension of Proposition 42 to be repaid with interest within three years. Both the Legislature and the Administration sought to avoid actions that would make matters considerably worse in future years. Proposition 42, funded by a portion of the sales tax on gasoline is estimated to provide \$1.43 billion statewide this year. Bay Area cities and counties will receive approximately \$100 million for local street and road repairs from Proposition 42.

### **STATE LOCAL PARTNERSHIP PROGRAM DETAILS FINALIZED**

In addition, a related budget trailer bill codified an agreement over the formula distribution of \$1 billion in State Local Partnership Program funds made available by the Proposition 1B infrastructure bond. In our region, BART, AC Transit, the Bay Area Toll Authority, and the seven sales tax counties are expected to receive just under \$270 million from this program designed to reward voter-approved self-help measures.

In total, almost \$4.3 billion of Proposition 1B bond funds were allocated in the budget, including the first allocation of \$200 billion for the State Local Partnership Program and \$413 billion for the Trade Corridor Improvement Fund.

### **RECORD AMOUNT OF PUBLIC TRANSIT FUNDS DIVERTED**

As noted above, public transit funds were diverted at unprecedented levels in the FY 2008-09 budget. While last year's budget set the record with \$1.3 billion in Public Transportation Account (PTA) funds diverted, this year the total was even higher at \$1.67 billion. The diversion is primarily due to record gasoline prices that drove up the Spillover — a calculation that is triggered when gasoline prices grow at a faster rate than the overall economy. The final estimate of the spillover for FY 2008-09 is \$1.43 billion.

Whereas state law previously required all spillover funds to be deposited in the PTA for transit purposes, last year the Legislature modified the law to allow 50 percent of spillover funds to be diverted to the General Fund for transit-related expenditures, including school buses and debt service on transportation bonds. However, this year 100 percent of spillover funds were diverted to General



Fund purposes, along with another \$239 million in what is referred to as “base” PTA funding. The final diversions were as follows: \$857 million to the General Fund for transportation related general obligation bond debt, \$589 million to the General Fund for Home-to-School transportation, \$138 million to the Department of Developmental Services for regional center transportation and \$83 million to reimburse the General Fund for repayment of a prior loan from Proposition 42 transit funds to the General Fund.

As a result of these diversions, State Transit Assistance (STA), the most flexible source of state funding for transit, was ultimately reduced from \$558 million in the budget conference committee report to \$306 million, slightly below the current year’s level. The final amount submitted to the Governor in the budget was \$406 million, but the Governor reduced this by another \$100 million using his line-item veto authority. Ultimately, the budget diverts \$663 million in STA funds statewide relative to current law.

For the Bay Area, the budget provides approximately \$112 million in STA funds, including \$81 million in revenue-based funds and \$31 million in population-based funds. [Click here](#) for the final STA amounts by operator, including a comparison of the amount that should have been provided under current law and the final budget, as well as the amount that was proposed in the January budget (and used for MTC's fund estimate) relative to the final budget. Regionwide, the Bay Area lost \$238 million in STA funds relative to current law — more than double the final amount.

Specific budget amounts for each of the programs are found on MTC’s website, [www.mtc.ca.gov](http://www.mtc.ca.gov). Staff will provide a more detailed budget update to Advisory Council at your November meeting.

#### Rail~Volution

Rail~Volution, a conference for practitioners that focuses on the role of land use and transit as equal partners in creating livable communities, will take place in San Francisco from October 26 – 30. For more information, visit [www.railvolution.com](http://www.railvolution.com).

#### Packet Attachments

The packet includes the following materials:

- Agenda Item 8 – *Information* – Staff memo to MTC Planning Committee and PowerPoint slides
- Agenda Item 9 – *Information* – 2008/09 Work Plan